

**PX 664**

## Message

From: [REDACTED]  
 on behalf of [REDACTED]  
 Sent: 7/19/2018 8:34:59 AM  
 To: [REDACTED]@ripple.com [REDACTED]@ripple.com [REDACTED]@ripple.com>]  
 Subject: Re: Ripple's Q2 investor and advisor update - NOT FOR INTERNAL DISTRIBUTION!

Brad,

Honestly (and I'm going to be honest here), who writes this stuff? Let me preface what I'm about to tell you by saying that my intention is not to be critical here, but to give you an outsider's (+ insider's) perspective on this quarterly report - from one who knows a thing or two about Ripple products and the issues Ripple's grappling with today. Now, more than ever before, Ripple needs to be the smartest guy in the room if we want to (continue to) be considered a leader in the crypto space. This report is sloppy. We can do better than this, we *need* to do better than this.

I can't figure out why we continue to say things like "*xRapid is alleviating institutions' pre-funding needs so they can instead put that working capital to use in other ways*". xRapid users must prefund their accounts on the outbound exchange (unless Ripple is handling the prefunding piece on their behalf nowadays, which would put us squarely in the loan business and we're not set up for that). You could argue that xRapid users don't have to prefund *in destination currencies* but that's just semantics so why bother.

How were the xRapid cost savings calculated, I wonder? It's unclear (to me, at least) how pilot users saved that much in fees when we waived most of the fees for pilots and supplemented the cryptocurrency conversation cost if it went against the pilot user. Do our calculations also consider Bitstamp and Bitso's fees?

The section on global regulatory progress boggles my mind. Why, oh why, would we include a link to a Bitcoinist article that cites the twitterings (because, let's face it, this fellow's a bit of a twit) of some random dude who looks all of about 16 years old and who, apparently, is convinced that if FinCEN says XRP is a currency, then that's the end of the securities argument. It's just ridiculous!

And, please, let's never again say "*our belief remains the same: XRP should be regulated as a currency*" - it makes us sound like amateurs (told you I was going to be honest here). In the U.S., XRP is and will be regulated as property, as a commodity, as (convertible virtual) currency, and potentially as a security, all depending on facts and circumstances, and on how the XRP is used - it's that simple. And, unless one U.S. regulator takes control of all things crypto, that's how it's going to be in this country.

I don't mean to harp on here but the regulatory section is so disjointed. It conflates discrete thoughts and ends up saying nothing of any substance or relevance. Granted, many of your investors may not be as well versed as myself when it comes to crypto regulation, but some of them must be.

I'm sure Legal is obtaining outside counsel opinion on all xSpring investment opportunities - you just need to be sure that it's the right outside counsel (i.e., [REDACTED] SEC team as opposed to [REDACTED] or [REDACTED]). If Ripple provides support to ICO-type projects developed on XRP Ledger (or "the Ripple Protocol" as highlighted in the FinCEN link (bad)), it could mean that XRP Ledger would need to register as a 'national exchange' with the SEC. Does Ripple want to step into that quagmire?

Anyway, that's about enough from me! (Sorry, Brad, I just thought you'd want to know from someone who knows and is looking out for your best interests seeing as this is sent in your name).

I would very much appreciate it if you didn't forward this email internally - for your eyes and information only.

Hope you keeping well these days. We're in Sycamore, Illinois right now, parked by a beautiful lake under some shady trees. We'll stay here for another day or so as I jerked something in my back yesterday while showering and can hardly move my neck/upper back ever since. Happens every year or two and, boy, it is painful!

Attaching a pic or two of me (and the van!) from when we stayed at a lovely winery in Minnesota(!) the other evening. We got on famously with the owners and ended up drinking and laughing into the wee small hours of the morning :-)

Don't be a stranger now, Brad!

AO'G

On Jul 16, 2018 7:35 PM, Brad Garlinghouse [REDACTED] wrote:

**"[REDACTED] is delighted with the incredible speed and cost-efficiency of the xRapid pilot phase and is excited about a production rollout in the near future" - [REDACTED] (May 10, 2018).**

Good people -

Ripple is running a marathon and we've crossed mile marker one. When I think about Ripple's mission of transforming global payments, our work is just getting started. Keeping the lead as we cross mile markers two, three, four and so on will require more focus and drive than ever before.

The great news is we're the only ones who have left the starting line. I'm highly encouraged and motivated by the progress we made in Q2.

## RAISING THE BAR

In the first quarter of 2018 we sold more than one production deal a week, which was far faster than any quarter in our history. And this quarter, we picked up the pace!

We saw a healthy geographic distribution of new customers, which means the network will be more connected and far-reaching. Large, regional banks like [REDACTED] (Kuwait) and [REDACTED] (India), as well as upstart payments providers like [REDACTED] (U.K.) and [REDACTED] (Malaysia) joined the fold. This quarter also saw [REDACTED] roll out the first mobile application for global payments powered by Ripple's blockchain technology - you can see it for yourself [here](#).

Signing more customers is important because it leads to more transactions and volume, volume leads to more customers. These are powerful network effects that we are starting to see play out. This quarter we reached new heights in terms of number of transactions and production deployments across RippleNet, but we are still working hard to accelerate volume growth.

We're also seeing traction for xRapid, which enables institutions to easily source on-demand liquidity using XRP. For payments in the critical remittance corridor between the U.S. and Mexico, financial institutions piloting xRapid saw an estimated savings of 40-70 percent compared to what they normally pay foreign exchange brokers. The pilots are validating the value proposition - xRapid is alleviating institutions' pre-funding needs so they can instead put that working capital to use in other ways.

It's still early days for xRapid, and like any brand new technology, we know full well that different customers will have different journeys to adoption. For the biggest financial institutions, some might act as pilot test tourists and wait longer to

adopt it. Others might decide it's not the right fit for them. I feel good about the pilot results and the strength of our customer pipeline.

## FUNDING INNOVATION

As one of the most mature companies in the blockchain space, we're always looking at how we can help the entire industry grow. I strongly believe this isn't a "winner take all" world. The more education and innovation that takes place, the faster we will see wide scale adoption.

That's one of the reasons we announced the University Blockchain Research Initiative (UBRI), which will commit \$50 million in funding for research and innovation in blockchain. Academia has always been the backbone of innovation. It was academia that formed the first ever theories about a globally interconnected set of computers (i.e. the Internet) in 1962. We believe the universities involved in UBRI will bring that same level of rigor to blockchain.

In addition to supporting innovation in blockchain overall, we want to support innovation around XRP.

We know that using XRP for cross-border payments is an excellent use case, but it is not the only use case for XRP. It's just the one that Ripple has decided to focus on given XRP's key characteristics (speed, low cost and scalability).

On a daily basis, we are inundated with questions about how to build on top of - or integrate with - the XRP Ledger given our experience with it. Some want to use XRP for payments in their games, others want to use the ledger for real estate or digital media purposes - the list goes on. As an interested party in the success of the XRP ecosystem, we wanted to provide support for those entrepreneurs where we can. That's why we announced Xpring (pronounced "spring"), a new initiative that will invest in, incubate, acquire and provide grants to companies and projects run by proven entrepreneurs. Ethan Beard, who oversaw Facebook's developer platform from 2009 to 2012, joined the team to lead the effort. We're looking forward to providing updates about Xpring as it grows.

## GLOBAL PROGRESS ON REGULATION

Whether digital assets are appropriately classified as securities, commodities, currencies or none of the above has been a topic of increasing interest globally. This is an important, but not new, topic. Some countries have already provided a regulatory framework for digital assets, like Japan which deemed them legal payment instruments. While regulation is coming into focus in specific countries, it's not surprising to see lawyers and their clients try to take advantage of any ambiguity by bringing forth opportunistic suits - specifically in the United States.

Ripple has looked closely at this topic for several years, and our belief remains the same: XRP should be regulated as a currency. FinCEN and the DOJ confirmed this in 2015 - and my team continues to educate the market, regulators and courts about all the reasons it makes sense for XRP to be regulated as a currency. For XRP to be a security, as some have asserted, it would have to represent ownership in a company, which it does not. Also, the fact that it exists independent of Ripple and has utility as a payment tool make it quite different than a security. I look forward to continuing this conversation with all interested parties.

Around the world, we saw regulators' views on digital assets advance in Q2, with many positive signs emerging.

In April, the International Monetary Fund urged for an "even-handed" approach to regulating digital assets, calling for countries to address risks without stifling innovation. We agree, and were honored to present at the IMF Spring Meetings.

The U.K. Financial Conduct Authority echoed that view, saying that while there are risks to address, "positively, we see firms using cryptocurrency for international money remittance, lowering the cost and time of sending money overseas. So there are legitimate and economically significant use cases."

In the United States, the SEC declared that bitcoin and ether are not securities. We view these statements as a positive development for the industry, and we look forward to the SEC providing clarity on XRP.

## WHERE WE GO FROM HERE

At Ripple, we continue to approach our business - and build our products - with the goal of creating something that's transformative and lasting.

We're excited about our increasing customer traction, product validation, and the overall maturation of our industry - with regulatory clarity being a key driver.

I'm looking forward to the second half of 2018. As always, please reach out with any questions, comments or feedback.

Best regards, Brad